CASE 1.1
MEDICAL VACATION: THE GLOBALIZATION OF HEALTH CARE

Instructor Notes

The case brings up a number of issues for discussion. First, it points out that what is to be marketed internationally is not restricted to tangible products but that it includes intangible services. Second, the case has made it clear that, in order to satisfy customers, a product or service should not be narrowly defined. In this regard, the concept of "medical vacation" offers a larger bundle of benefits by combining medical treatment with a holiday. In addition, the luxury setting makes a hospital visit less depressing and more enjoyable. Third, the case demonstrates the application of the principle of comparative advantage.

Medicine, as a discipline of study, is universal. Peoples everywhere need medical treatment, and medical care is a culture-free product. Nevertheless, universal medical needs do not imply a single method of treatment. Culture still must be taken into consideration. Even when science appears to encourage a particular method of treatment, how that treatment is delivered could be influenced by a patient's culture. In some cases, an alternative method of treatment may even have to be devised.

With regard to communication, BI staffs its service counter with translators who speak English, Japanese, Korean, German, etc. BI's staff members are trained to be culturally sensitive. As in the case of patients from the Middle East, there must be an appreciation of the Ramadan period. Muslims pray five times a day, and the practice requires a prayer room oriented toward Mecca. The hospital has a halal kitchen, and the food items do not include pork.

The hospital has learned that customer expectations vary from country to country. While both Japanese and Thai customers trust their doctors, the Japanese expect punctuality. Thai patients, on the other hand, can be kept waiting as long as apologies are offered. For Americans, they will challenge their doctors by demanding explanations, options, and second opinion, and Asian doctors must be trained to not be offended. In a way, doctors are BI's customers too in the sense that the hospital also needs to keep them happy so that they would not move to other hospitals.

This case also points out the effect of foreign exchange on a business enterprise's operations. BI's largest shareholder is Bangkok Bank, and JP Morgan is one of the minority partners. Because the hospital's new facility was financed with $110 million investment that was borrowed in U.S. dollars, BI was hit hard when the U.S. dollar more than doubled in value during the Asian economic crisis. Fortunately, BI was able to turn its near-fatal problem into an opportunity. With the Thai baht sinking in value, BI decided to attract patients from abroad. The strategy has paid off handsomely. Foreigners stay for 26 days on average and seek more expensive treatment, and they generate more revenues than Thai patients. Interestingly, citizens of Bangladesh are BI's second largest group of customers, second only to Thai patients. Although Bangladesh is a relatively poor country, the top 5 percent of the population can afford to seek medical treatment anywhere, including in the United States and Europe. Instead, they prefer Thailand due to religious tolerance there.

Although medical tourism earns more than $1 billion a year for Thailand, it has generated a backlash as well. Critics complain that the industry aggravates the shortage of physicians. Many physicians, whose high costs of medical training are financed by taxpayers' money, are likely to be attracted by private hospitals' higher compensation. As a consequence, the national healthcare system and local patients will be adversely affected.

In defense of their premium health care, administrators of private hospitals offer the following rationale: "The type of service that we provide for foreign patients and tourists is not exactly the same type of service for the majority of Thais because the former is more costly. So they're different groups of patients."

The trend of medical tourism is likely to continue (see "Outsourcing the Patients," *Business Week*, 24 March 2008, 36). Blue Cross & Blue Shield and other U.S. insurers are encouraging policyholders to get medical care abroad. Blue Cross has formed a strategic alliance with several hospitals overseas so that its patients can be outsourced, and BI is its first partner of medical offshoring. Interestingly, although BI has marketing offices in 20 countries, it does not have one in the United States since its presence could be a basis for potential liability. After all, litigation, like health care, is a big business in the United States.